



*Leading Through* **COVID-19**

# PULLING OUT THE CRYSTAL BALL FOR HEALTH CARE PHILANTHROPY

The global pandemic has created swift and sweeping changes across the health care industry. As organizations consider how to recover and reposition, there is value to considering some of the trends that are already occurring or that could be anticipated.

## Financial Fragility

The American Hospital Association anticipates the nation's hospitals and health care systems will lose \$323 billion in 2020; further, federal dollars allocated to hospitals through the Coronavirus Aid, Relief, and Economic Security (CARES) Act only amounted to \$54 billion as of June 2020.<sup>1</sup> Realized and anticipated losses stem from a range of factors including reductions in elective procedures, investments in infrastructure and supplies to combat COVID-19, increases in uncompensated care and more. These financial wounds will likely set back the progress of the sector as a whole by thwarting the ability to invest in care

transformation and health equity. This will boost the importance of health philanthropy and grants in enabling health organizations to achieve their vision of potential. It will also necessitate health philanthropy organizations being very agile and astute in realigning their strategy to leverage their financial resources and talent.

## Mergers, Acquisitions and Alignment

Health care mergers and acquisitions have continued at a steady clip across the past decade. However, in January 2020, KaufmanHall issued a

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report predicting future collaboration would be driven by strategy rather than financial necessity.<sup>2</sup> Then, enter COVID-19 bringing unanticipated financial disruptions from March 2020 forward that will push many organizations to return to the M&A negotiating table due to financial pressures. The need for collaboration and alignment within organizations will also intensify as systems seek to optimize value through reducing unnecessary expenditures and leveraging human and budgetary resources to squeeze as much value as possible out of the organization. This will elevate the importance to systemize and regionalize health philanthropy operations to benefit from cohesive strategy, adherence to best practices, shared services and more.

### The Rise of Telemedicine

The use of virtual, telehealth modalities has exploded during the pandemic. While providers and patients had been lukewarm about remote patient visits before, pressure to decrease exposure risk to maintain patient safety during the pandemic alongside deregulation thrust telehealth to the forefront. Additionally, Centers for Medicare & Medicaid Services (CMS) approved a raft of new billing codes in March to enable hospitals and providers to bill for telehealth services that weren't previously covered. A McKinsey report noted an increase from "11 percent of US consumers using telehealth in 2019 to 46 percent of consumers now using telehealth to replace cancelled healthcare visits."<sup>3</sup> Given consumer acceptance has increased and payers seem likely to expand reimbursement beyond the crisis, telehealth will be an increasing presence going forward. That means health philanthropy organizations must now grapple with how to engage patients who are no longer walking through their doors.

### Health Equity

While health organizations have talked about population health and the need to address Social Determinants of Health (SDoH) for a decade, the volume has been turned up on that conversation.

Rising awareness and intolerance about systemic racism are drawing new attention to a lack of access to basic health care in communities that are often largely defined by race, ethnicity, economic status and educational attainment. **While addressing these issues is complex, this is a moment for health organizations to rise in their response by proactively identifying specific and measurable initiatives to affect change. This also represents a significant opportunity for health philanthropy.** It is no longer enough to raise money for capital and clinical programs. Many donors already view themselves as social impact investors who desire to address and to prevent systemic issues rather than treating the downstream effects, making this a natural place to engage donors to drive meaningful change. Most donors feel positively about broader, multi-organization solutions that are better positioned to leverage all community assets. Thus, it is imperative for health philanthropy organizations, leaders and stakeholders to discuss plans for fostering philanthropy and community partnerships that address health equity and elevate community health status.

Health philanthropy organizations must understand and agilely respond to the trends currently shaping the larger health care environment. Simply, there is no "waiting until things go back to normal." Wistful thinking for a day that has now passed is a career-limiting and organization-stifling position to take. Instead, health philanthropy leaders must look within these new realities to find opportunities to rise and to be more relevant in fulfilling their missions.

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<sup>1</sup> <https://www.aha.org/issue-brief/2020-06-30-new-aha-report-finds-losses-deepen-hospitals-and-health-systems-due-covid-19>

<sup>2</sup> [https://www.kaufmanhall.com/2019-healthcare-mergers-acquisitions-in-review?utm\\_source=agcy&utm\\_medium=pr&utm\\_campaign=2019-annual-report](https://www.kaufmanhall.com/2019-healthcare-mergers-acquisitions-in-review?utm_source=agcy&utm_medium=pr&utm_campaign=2019-annual-report)

<sup>3</sup> <https://www.mckinsey.com/industries/healthcare-systems-and-services/our-insights/telehealth-a-quarter-trillion-dollar-post-covid-19-reality>